

STATE OF CALIFORNIA
DEPARTMENT OF CORPORATIONS

TEXT OF PROPOSED CHANGES
UNDER THE ESCROW LAW
PURSUANT TO NOTICE
DATED: May 20, 2002

1. Adopt Section 1709.1 to read:

1709.1. Notification of Location of Customer Contact Centers.

Each Internet escrow agent shall notify the Commissioner in writing of the following:

(a) The business address of a customer contact center at least 10 days prior to commencing business at that location.

(b) The new business address at least 10 days prior to the date of an intended change in the location of any customer contact center.

NOTE: Authority cited: Section 17400, Financial Code. Reference: Section 17005.3, Financial Code.

2. Amend Section 1710 to read:

1710. Joint Control Agents and Internet Escrow Agents.

A "joint control agent" is an escrow agent of the type described in Section 17005.1 of the Financial Code. An "Internet escrow agent" is an escrow agent of the type described in Section 17004.5 of the Financial Code. All the regulations in this subchapter shall be applicable to joint control agents and Internet escrow agents. All references to an "escrow agent" or "escrow agents" shall be deemed to refer not only to escrow agents generally but also to joint control agents and Internet escrow agents.

NOTE: Authority cited: Sections 17400 and 17401, Financial Code. Reference: Sections 17004.5 and 17005.1, Financial Code.

3. Adopt Section 1717.2 to read:

1717.2. Experience Requirement For Internet Escrow Agents (With Respect to Personal Property Transactions)

Within the organization of each Internet escrow agent corporation engaged in the business of escrows involving personal property, one or more qualified persons shall demonstrate knowledge and understanding of the Escrow Law (as set forth in Division 6 (commencing with Section 17000) of the Financial Code), the rules promulgated thereunder and accounting practices and procedures as follows:

(a) Execute an affidavit certifying under penalty of perjury that the person has read and understood the provisions of Division 6 of the Financial Code and these rules promulgated under the Escrow Law; and

(b) Possess a minimum of two years of experience performing and/or supervising accounting functions that are similar to those functions that will be necessary to maintain the books, records and accounts of the Internet escrow agent as required by the Escrow Law and these rules; or

(c) Successful completion of beginning and intermediate accounting courses or equivalent accounting courses with a grade of "C" or better from an accredited college. College transcripts shall be provided to the Commissioner to demonstrate this requirement has been met.

NOTE: Authority cited: Section 17400, Financial Code. Reference: Section 17200.8, Financial Code.

4. Amend Section 1726 to read:

1726. Notification of Required Membership Fees to Escrow Agents' Fidelity Corporation and Personnel.

(a) The Commissioner shall be notified in writing by the Escrow Agents' Fidelity Corporation of the escrow agent's payment to the corporation of the required membership fees for those escrow agents

subject to membership pursuant to subdivisions (a) and (c) of Section 17312 of the Financial Code and the escrow agent shall notify the Commissioner, on the form set forth in subdivision (b) furnished by the Commissioner, the names of any officer, director, trustee, employee or other person directly or indirectly compensated by the escrow agent before allowing the person in the regular discharge of his/her duties to have access to moneys or negotiable securities belonging to or in the possession of the escrow agent, or to draw checks upon the escrow agent or the trust funds of the escrow agent.

(b) The following form shall be used to notify the Commissioner pursuant to subsection (a):

Fee: \$10.00 + DOJ
Noncriminal Applicant
Fingerprint Fee
Receipt No. _____

STATE OF CALIFORNIA
DEPARTMENT OF CORPORATIONS
320 West 4th Street, Suite 750
Los Angeles, California 90013-1105
(213) 576-7690

NOTICE OF
OFFICERS, DIRECTORS, TRUSTEES, EMPLOYEES OR
OTHER PERSONS DIRECTLY OR INDIRECTLY COMPENSATED BY ESCROW AGENTS

OFFICIAL USE ONLY
LAST NAME _____
Date Submitted CII: _____
Applicant I.D. # _____

PLEASE PRINT OR TYPE

NAME OF COMPANY: _____ FILE NO. _____

ADDRESS OF MAIN OFFICE:

(Street) (City) (State) (Zip Code)

EMPLOYING BRANCH OFFICE:

APPLICANT'S NAME:

(Last) (First) (Middle)

POSITION HELD OR TO BE HELD:

HOME ADDRESS:

(Street) (City) (State) (Zip Code)

DATE OF BIRTH: _____ PLACE OF BIRTH: _____
(Month) (Day) (Year)

DRIVER'S LICENSE NUMBER: _____

HEIGHT: _____ WEIGHT: _____ SEX: _____ COLOR OF EYES: _____
COLOR OF HAIR: _____

* Fees should include the Department of Corporations' filing fee of (\$10.00) and the fee charged by the Department of Justice (Section 11105, Penal Code) for processing Noncriminal Applicant Fingerprints.

(c) The fee for filing a notice pursuant to subsection (b) of this section is \$10.00 for each notice plus the fee charged by the Department of Justice (~~section~~ Section 11105, Penal Code) for processing fingerprints and certain information provided by the applicant on the form.

(d) If the fingerprints of an individual named in a notice filed pursuant to subsection (b) of this section are not on file with the Commissioner, the escrow agent shall file with the notice a Fingerprint Card (Form BID-7) or Request For Live Scan Service (Form BC11 8016) for such individual. Information as to whether or not an individual's fingerprints are on file with the Commissioner may be obtained from any office of the Commissioner. Upon filing the fingerprints of such person, an escrow agent shall reimburse the Department of Corporations the actual amount then currently charged by the Department of Justice for processing the fingerprints.

NOTE: Authority cited: Sections 17203.1, and 17400 ~~and 17401~~, Financial Code. Reference: Sections 17203.1, 17207, 17209, ~~and~~ 17209.1, and 17312, Financial Code.

5. Amend Section 1730 to read:

1730. Maintenance of Books.

(a) An escrow agent who is engaged in the business of receiving escrows specified in subdivision (c) of Section 17312 of the Financial Code and is required to be a member of Escrow Agents' Fidelity Corporation shall have its business offices located in the State of California and shall maintain its books, records and accounts in the State of California. An escrow agent who is not engaged in the business of receiving escrows specified in subdivision (c) of Section 17312 of the Financial Code and is not required to be a member of Escrow Agents' Fidelity Corporation shall maintain its books, records and accounts in the State of California or in the state the escrow agent is located in.

(b) An escrow agent ~~and~~ shall notify the Commissioner in writing of the location of its books, records and accounts. Such books, records and accounts shall be maintained at such location unless the escrow agent ~~shall notify~~ notifies the Commissioner in writing at least 15 days prior to changing the location of such books.

NOTE: Authority cited: Sections 17400 ~~and 17401~~, Financial Code. Reference: Sections 17404 and 17405, Financial Code.

6. Adopt Section 1730.1 to read:

1730.1. License Application: Out-of-State Locations.

A license for a business location outside this state may be issued only to an escrow agent who is not engaged in the business of receiving escrows specified in subdivision (c) of Section 17312 of the Financial Code and is not required to be a member of Escrow Agents' Fidelity Corporation if the escrow agent agrees in writing in the license application to pay the reasonable expenses for travel, meals and lodging of the Commissioner or the Commissioner's representatives incurred during any investigation or examination made at the escrow agent's location outside this state.

NOTE: Authority cited: Section 17400, Financial Code. Reference: Sections 17209, 17404 and 17405, Financial Code.

7. Amend 1732.2 to read:

1732.2. Escrow Books.

(a) An escrow agent shall establish and maintain currently the following books with reference to its escrow accounts:

~~(a)~~ (1) Escrow ledger containing a separate ledger sheet for each escrow;

~~(b)~~ (2) Escrow liability controlling account;

~~(c)~~ (3) Cash receipt and disbursement journal or a file containing copies of all receipts and checks and/or check stubs of checks issued by the escrow agent as a medium of posting to the records referred to in subsections ~~(a)~~ (1) and ~~(b)~~ (2) in which case adding machine tapes of totals of receipts and checks shall be retained. The records referred to in subsections ~~(a)~~ (1) and ~~(b)~~ (2) shall be reconciled at least once each month with the bank statements of the "trust" or "escrow" account. The records referred to in subsection ~~(a)~~ (1) shall be reconciled at least once each week with the escrow liability controlling account referred to in subsection ~~(b)~~ (2).

(b) An escrow agent engaged in the business of receiving escrows for deposit or delivery of the types of transactions specified in subdivision (c) of Section 17312 of the Financial Code and of the types of transactions not specified therein shall maintain separate escrow books and separate escrow trust accounts for each type of escrow business in the same manner as provided for in subsection (a).

(c) An escrow agent that is located outside this state shall, in addition to the books and records required in subsections (a) and (b), maintain separate books and records and separate escrow trust bank accounts for the escrow activity that occurs within this state as defined in Section 17005.5 of the Financial Code.

NOTE: Authority cited: Sections 17400 and ~~17401~~, Financial Code. Reference: Sections 17005.5, 17404 and 17409, Financial Code.

8. Amend Section 1737 to read:

1737. Special Accounts.

(a) ~~All~~ Except as provided in Section 1737.1 of these rules, all money received by an escrow agent as part of an escrow transaction shall on or before the close of the next full working day after such receipt be deposited in a bank, a savings bank, or a savings and loan association in an account designated "trust" or "escrow" account. No funds other than those received as part of an escrow transaction shall be deposited in such account or otherwise commingled with escrow money.

(b) Pursuant to written instructions of the principals or electronic instructions received by an Internet escrow agent from the principals containing at least the provisions required by subsection (c), funds received in any particular escrow transaction and deposited pursuant to subsection (a) may subsequently be deposited into an interest-bearing escrow account established solely for such purpose at a bank, savings bank, savings and loan association or credit union ("financial institution") in the name of the escrow agent as trustee for the principals to the particular escrow identified by escrow number.

(c) The escrow instructions for interest-bearing escrow deposits shall, at a minimum:

(1) Authorize the opening of an interest-bearing escrow account in the name of the escrow agent as trustee for the particular escrow identified by escrow number;

(2) Specify the type of account to be opened and the amount of the deposit;

(3) Identify the name and location of the financial institution with which the interest-bearing account is to be opened;

(4) Specify

(A) The disposition of the interest at the close of escrow,

(B) The disposition of the interest in the event that the escrow fails to close, and

(C) The disposition of any accrued interest retained in the interest-bearing escrow account after the close of escrow pursuant to subsection (g);

(5) Indicate that the principals have been advised by the escrow agent of possible restrictions and/or penalties for early withdrawal of funds; and

(6) Prohibit the escrow agent from withdrawing funds from the interest-bearing account except for redeposit into the "trust" or "escrow" account.

(d) An escrow agent is responsible for establishing and maintaining an interest-bearing account so that the funds are fully insured or guaranteed, to the extent available by law.

(e) An escrow agent is responsible for establishing and maintaining adequate controls over the passbooks and certificates issued by financial institutions in connection with interest-bearing escrow accounts.

(f) An escrow agent depositing escrow funds into interest-bearing escrow accounts shall establish and maintain a control ledger summarizing the deposits in interest-bearing escrow accounts or shall make a memo entry on each individual escrow ledger. The posting of the ledger shall include the escrow number, interest-bearing account number, date of deposit, and amount of deposit.

(g) All funds deposited into an interest-bearing escrow account, including any interest paid thereon, shall be transferred from such account into the "trust" or "escrow" account before the close of escrow, except that a specified portion or all of the interest accrued may be retained in the interest-bearing escrow account until the end of the current calendar quarter if the escrow instructions of the principals so provide.

(h) Disbursements from the "trust" or "escrow" account shall not be made against funds deposited in an interest-bearing escrow account until such funds have been transferred and receipted into the "escrow" or "trust" account with proper posting to the particular escrow.

(i) ~~No electronic~~ Electronic fund transfers ~~shall~~ may be made between the "trust" or "escrow" account and any interest-bearing account. ~~Transfers shall be made only in a manner consistent with the provisions of Section 1740.4 of these rules.~~

(j) Interest paid on any interest-bearing escrow account shall be paid over to the principal having deposited the moneys in escrow unless the escrow instructions clearly specify that such interest is to be paid over to a named person other than the escrow agent. Notwithstanding any provision in any escrow instructions, the interest paid or payable on any interest-bearing account shall not be transferred to the account of, accrue to the benefit of, or otherwise be treated as an asset of the escrow agent.

(k) An escrow agent who wishes to transact business as an escrow agent on a basis other than as provided by this section may request in writing a variance to or waiver of any provisions of this section, but may not engage in business in a manner not in compliance with this section without first having received a waiver or variance in writing from the Commissioner.

(l) Any request for a variance or waiver shall include at least:

(A) a statement of the basis upon which the escrow agent's business is proposed to be transacted in connection with a particular named financial institution;

(B) a description of the plan of business and applicable procedures including copies of all agreements or memoranda of understanding between the escrow agent and the financial institution;

(C) a showing that the proposed plan of business and applicable procedures provide for administrative and accounting controls at least as adequate as those provided in this section; and

(D) a statement of the reasons why, under the escrow agent's circumstances, a variance or waiver is requested.

(2) Any variance or waiver granted pursuant to this subsection by the Commissioner shall be in writing and subject to such terms and conditions as may be deemed necessary or advisable by the Commissioner to protect any escrow transactions of such escrow agent, to preserve the trust nature of the escrow relationship, and to insure compliance with the Escrow Law and rules, including the ~~order~~ other provisions of this section.

NOTE: Authority cited: Sections 17400 and ~~17401~~, Financial Code. Reference: Sections 17403.5, 17409, 17410 and 17411, Financial Code.

9. Adopt Section 1737.1 to read:

1737.1. Internet Escrow Agent Special Accounts.

(a) All money received by an Internet escrow agent from a credit card or Automated Clearing House ("ACH") transfer as part of an escrow transaction shall upon receipt be deposited in a bank, a savings bank, or a savings and loan association in a separate account that is designated "trust" or "escrow" account. No funds other than those received from a credit card or ACH transfer as part of an escrow transaction shall be deposited in such account or otherwise commingled with any other escrow money.

(b) An Internet escrow agent shall not withdraw, pay out or transfer monies from a particular escrow for deposits received by credit card or ACH transfer prior to the deposit of the funds into the trust or escrow bank account.

(c) An Internet escrow agent shall be required to establish a reserve made up of general account funds for the purpose of covering losses that result from the acceptance of credit cards and ACH deposits, including, but not limited to, charge backs, disputed charges, fraudulent transactions and any other debits. The reserve shall at least equal 10% of the average monthly credit card and ACH receipts. If actual losses exceed 10% of the average monthly credit card and ACH receipts, the Internet escrow agent shall immediately increase the reserve to at least equal the percentage of actual losses to the average monthly credit card and ACH receipts. An Internet escrow agent may request approval from the Commissioner to reduce the reserves required under this section. The Commissioner may approve the request to reduce the required reserve if, in the opinion of the Commissioner, the Internet escrow agent submitted sufficient evidence to demonstrate that the lower reserve will be sufficient to cover anticipated losses. The reserve required for credit card and ACH losses is in addition to the tangible net worth and liquid assets required by Section 17210 of the Financial Code.

(d) The Internet escrow agent shall deposit funds from the reserves required in subsection (c) into the escrow trust account to cover any losses that result from credit cards or ACH deposits on or before the close of the next full working day after receiving notification of the debit. This subsection shall not apply if the debit is against funds received from a credit card or ACH deposit that remains in the escrow account.

NOTE: Authority cited: Section 17400, Financial Code. Reference: Sections 17409, 17410 and 17411, Financial Code.

10. Adopt Section 1737.2 to read:

1737.2. Internet-Authorized Equivalent of Money.

(a) An Internet escrow agent who is engaged in the business of escrows involving personal property or services may accept the Internet-authorized equivalent of money for the purpose of effecting the sale or transfer of such personal property or services. An Internet escrow agent shall not withdraw, pay out or transfer monies from a particular escrow for deposits received from the Internet-authorized equivalent of money prior to the deposit of monies into the trust or escrow bank account.

(b) An Internet escrow agent who wishes to transact business on a basis other than as provided by this section may request in writing a variance or waiver to the provisions in this section, but may not engage in business in a manner not in compliance with this section without first having received a waiver or variance in writing from the Commissioner.

NOTE: Authority cited: Section 17400, Financial Code. Reference: Section 17003, Financial Code.

11. Renumber and Amend Section 1737.1 to read:

1737.43. Records to Be Preserved.

(a) An escrow agent shall preserve for at least five years from the close of escrow:

(1) All bank statements of the "trust" or "escrow" account;

(2) All canceled checks drawn upon the "trust" or "escrow" account;

(3) Copies of bank deposit slips with reference to the "trust" or "escrow" account;

(4) All additional records reflecting banking transactions with reference to the "trust" or "escrow" account, including copies of all receipts for funds transferred from interest-bearing accounts into the "trust" or "escrow" account;

(5) The Statement of Account;

(6) Escrow instructions and amendments thereto;

(7) All additional records pertinent to the escrow transaction.

~~(b) Optical image storage media may be used to maintain and store the records referred to in paragraph (a), provided that the optical image storage media shall (1) be nonerasable "write once, read many" ("WORM") that does not allow changes to the stored document, (2) be consistent with the minimum standards of quality approved by either the National Institute of Standards and Technology or the Association for Information and Image Management, and (3) contain written authentication identifying the optical image reproduction as an exact unaltered copy of the document.~~

(b) The records referred to in paragraph (a) may be retained and provided to the Commissioner in electronic format provided that:

(1) The electronic records are maintained and provided in a format that allows the Commissioner or his or her authorized representatives complete access to all of the books, accounts and records. The electronic records must be provided to the Commissioner in a software format that is acceptable to the Commissioner and that the Commissioner has in his or her possession. The escrow agent shall ensure that the Commissioner and his or her authorized representatives have the ability to download and print any or all of the records that are stored and maintained electronically.

(2) The escrow agent shall provide any or all of the records maintained in electronic

format in printed form if the electronic records are not in a format that is acceptable to the Commissioner or his or her authorized representatives or upon the request of the Commissioner or his or her authorized representatives.

(3) The electronic records shall be maintained in a media that is (A) non-erasable “write once, read many” (“WORM”) that does not allow changes to the stored document, (B) consistent with the minimum standards of quality approved by either the National Institute of Standards and Technology or the Association for Information and Image Management, and (C) contain written authentication identifying the electronic record as an exact unaltered copy of the document.

NOTE: Authority cited: Sections 17400 and ~~17401~~, Financial Code. Reference: Sections 17403.5 and 17404, Financial Code.

12. Amend Section 1738 to read:

1738. Withdrawals from Special Accounts.

(a) All money deposited in such "trust" or "escrow" account shall be withdrawn, paid out, or transferred to other accounts only in accordance with the written escrow instructions of the principals to the escrow transaction or the escrow instructions transmitted electronically over the Internet executed by the principals to the escrow transaction or pursuant to order of a court of competent jurisdiction.

(b) The escrow agent shall comply with, at a minimum, the following procedures for wire transfers (also known as "electronic fund transfers"):

(1) The instructions of the principals authorizing the wire transfer must contain, at a minimum, the amount of the funds to be wire transferred, the name of the financial institution, the account number and the account name receiving the funds.

(2) The escrow agent shall retain confirmation of the wire transfer from the financial institution that contains, at a minimum, the amount of the funds wire transferred and the account number and name of the account the funds were wire transferred to.

(3) If necessary, the escrow books shall be properly adjusted to reflect the wire transfer of funds from the escrow account.

(4) The escrow agent shall maintain a proper audit trail and adequate controls and safeguards for funds disbursed by wire transfer.

NOTE: Authority cited: Sections 17400 ~~and 17401~~, Financial Code. Reference: Sections 17403.2, 17403.3, 17409 and 17409.1, Financial Code.

13. Amend Section 1738.2 to read:

1738.2. Delivery of Documents or Property.

An escrow agent shall use documents or other property deposited in escrow only in accordance with the written escrow instructions of the principals to the escrow transaction or the escrow instructions transmitted electronically over the Internet executed by the principals to the escrow transaction, or if not otherwise directed by written or electronically executed instructions, in accordance with sound escrow practice, or pursuant to order of a court of competent jurisdiction.

NOTE: Authority cited: Sections 17400 ~~and 17401~~, Financial Code. Reference: Sections 17403.2 and 17403.3, Financial Code.

14. Amend Section 1738.3 to read:

1738.3. Dated.

All written escrow instructions and all escrow instructions transmitted over the Internet shall be dated.

NOTE: Authority cited: Sections 17400 ~~and 17401~~, Financial Code. Reference: Sections 17403.2, 17403.3 and 17404, Financial Code.

15. Amend Section 1738.5 to read:

1738.5. ~~Printed~~ Escrow Instructions.

The following shall be contained on the face or first page of the escrow instructions, or attached as a separate amendment to the escrow instructions, but only in the case where the escrow agent proposes to act accordingly to the following, enumerated instructions:

(1) An authorization or direction to disburse any money except to an authorized subescrow agent prior to recordation of instruments in escrows relating to real property or prior to consummation of sale in escrows relating to bulk sales of personal property; or

(2) An authorization or direction to deliver, except to a duly authorized subescrow agent, or record instruments affecting ownership or interest in real or personal property, prior to deposit with the escrow agent or an authorized subescrow agent of the full sum of money required to be deposited in escrow under escrow instructions.

(3) An instruction authorizing disbursements in payment of services, or other items of expense, not including, however, commissions payable to brokers or agents.

(4) An instruction in not less than 8 point bold type stating:

"The principals to the transaction agree that if no additional instructions are received from one or both of the principals to the transaction within 120 days from the date escrow is to close, the escrow holder shall consider the escrow canceled and is authorized to take a cancellation fee in the amount specified in the instruction and disburse any remaining deposits to the parties specified in the instruction."

In order for the instruction to be valid, it must be initialed or electronically executed by the principals to the transaction. The principals to the transaction are the buyer and seller or the borrower and lender.

NOTE: Authority cited: Sections 17400 and ~~17401~~, Financial Code. Reference: Section 17403.3, Financial Code.

16. Adopt Section 1738.6 to read:

1738.6. Escrow Instructions Transmitted Over The Internet; Electronic Signatures.

(a) Internet escrow agents may accept escrow instructions that are created, generated, sent, communicated, received or stored by electronic means provided that the principals to the transaction agree to conduct the transaction electronically.

(b) The Internet escrow agent shall require that the principals to the transaction acknowledge that they are able to electronically receive the escrow instructions, download the escrow instructions, and print the escrow instructions. The Internet escrow agent shall maintain a record of the principal's acknowledgment. In the event a principal to the transaction is not able to receive the escrow instructions electronically, download the escrow instructions and print the escrow instructions, the Internet escrow agent shall mail a true and correct copy of the instructions to the person within 24 hours of execution. The Internet escrow agent shall retain a record of each mailing.

(c) The principals to the transaction may execute the escrow instructions referred to in subsection (a) and other escrow documents with an "electronic signature" that complies with the federal Electronic Signatures in Global and National Commerce Act (the E-Sign Act) (15 U.S.C. Sec. 7001, et seq.).

NOTE: Authority cited: Section 17400, Financial Code. Reference: Sections 17403.2 and 17403.3, Financial Code.

17. Amend Section 1740.1 to read:

1740.1. Notice of Interest.

An escrow agent shall act without partiality to any of the parties to an escrow transaction. If an escrow agent or a person or company related to or affiliated with the escrow agent is a principal to the escrow transaction or is acting or has acted as broker or salesman in relation to the escrow transaction, the escrow agent shall advise in writing all parties to the escrow transaction of such relationship or affiliation before being employed as escrow agent in connection with such transaction. Such advice shall be on the face of the escrow instructions in not less than eight (8) point bold type. Internet escrow agents may transmit the advice electronically over the Internet to all parties to the escrow transaction.

NOTE: Authority cited: Sections 17400 and ~~17401~~, Financial Code. Reference: Sections 17420, 17421 and 17603, Financial Code.

18. Amend Section 1740.4 to read:

1740.4 Transfers Between Escrows.

(a) Transfers of funds between escrows may not be accomplished by the making of book entries alone, but must be accomplished by the actual writing of a check from one escrow to the other; and by the depositing of such check for the account of, and the writing of a receipt for, the escrow to which the funds are being transferred. Such transfers must also be properly supported and documented in the escrow files by inclusion of the reasons for, and the appropriate approval of, the transfer.

(b) This section does not apply to Internet escrow agents.

NOTE: Authority cited Sections ~~17400 and 17401~~, Financial Code. Reference: Sections 17403.5, 17404, 17415 and 17603, Financial Code.

19. Amend Section 1741.1 to read:

1741.1. Escrow Receipts.

(a) An escrow agent shall issue consecutively ~~prenumbered~~ numbered receipts for all escrow money deposited with or mailed to the escrow agent and retain copies of such receipts in a separate file. The copies of the receipts shall be clearly identified as a copy of the original receipt.

(b) An Internet escrow agent shall issue consecutively numbered receipts for all escrow money deposited with or mailed to the Internet escrow agent. An Internet escrow agent may deliver the receipts electronically over the Internet to the person depositing the funds into the escrow. In the event a person is not able to electronically receive the receipt, the Internet escrow agent shall mail a true and correct copy of the receipt within 24 hours of execution. An Internet escrow agent may retain a copy of

the receipt electronically in accordance with the provisions of subsection (b) of Section 1737.2 of these rules.

NOTE: Authority cited: Sections 17400 ~~and 17401~~, Financial Code. Reference: Sections 17403.5, 17404, 17415 and 17603, Financial Code.

20. Amend Section 1741.3 to read:

1741.3. Statement of Account.

Upon completion of an escrow transaction an escrow agent shall render to each principal to the escrow transaction a statement of his account in writing. Such statement shall specify all receipts and disbursements of escrow funds for his account. Charges made by the escrow agent for his services, and all disbursements by the escrow agent to a broker or salesman in connection with an escrow transaction shall be clearly designated as such and shall be shown separately from disbursements of the escrow agent. Payments outside of escrow, if shown in the statement, shall be set forth separately from payments by or to the escrow agent. Internet escrow agents may transmit the statement of account electronically over the Internet to the principals to the escrow transaction. In the event a person is not able to electronically receive the statement of account, the Internet escrow agent shall mail a true and correct copy of the statement of account within 24 hours of its completion.

NOTE: Authority cited: Sections 17400 ~~and 17401~~, Financial Code. Reference: Sections 17403.3, 17403.5, 17404, 17415, 17601 and 17603, Financial Code.